

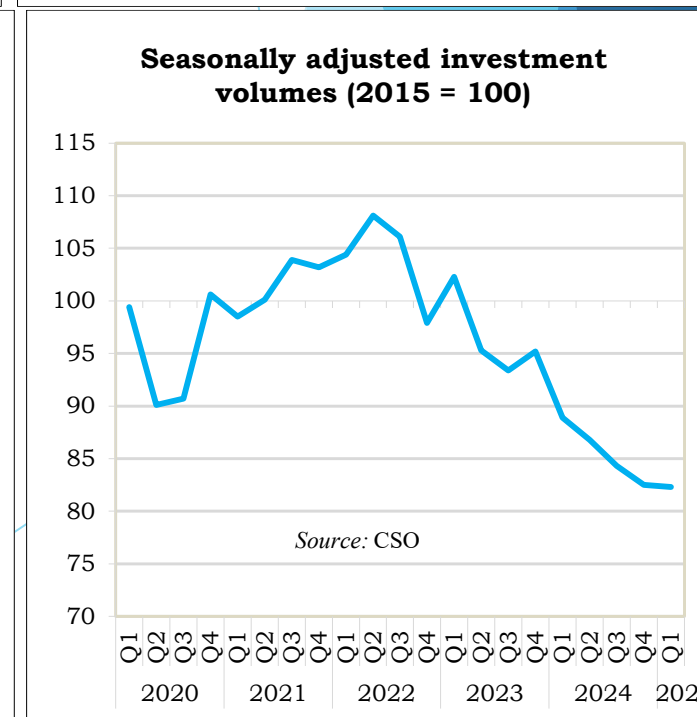
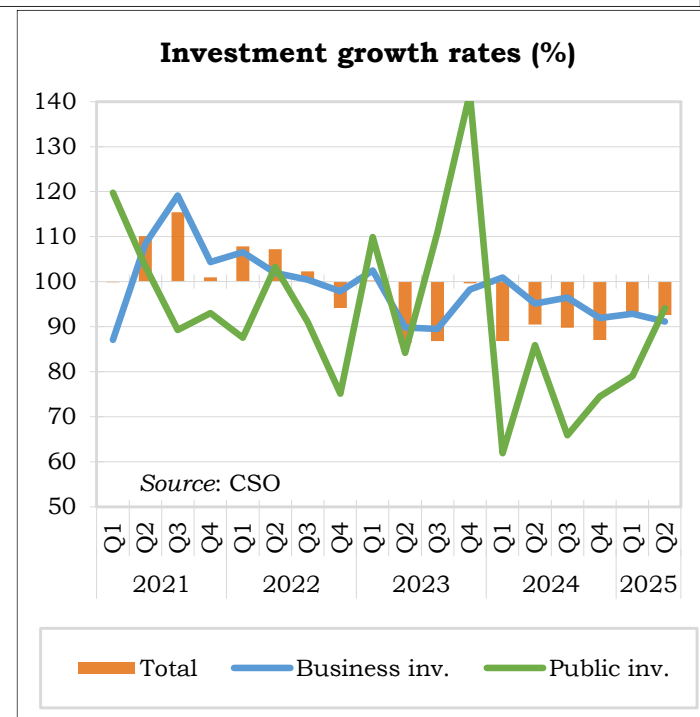
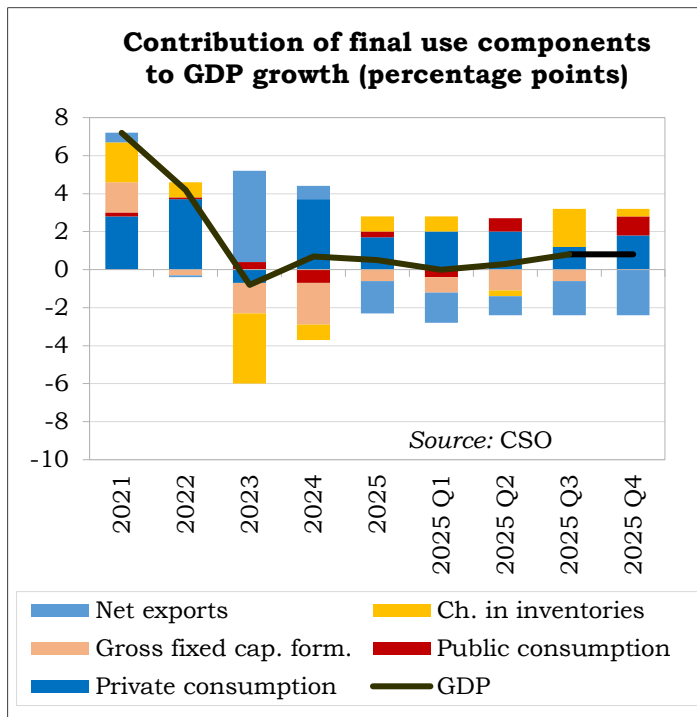
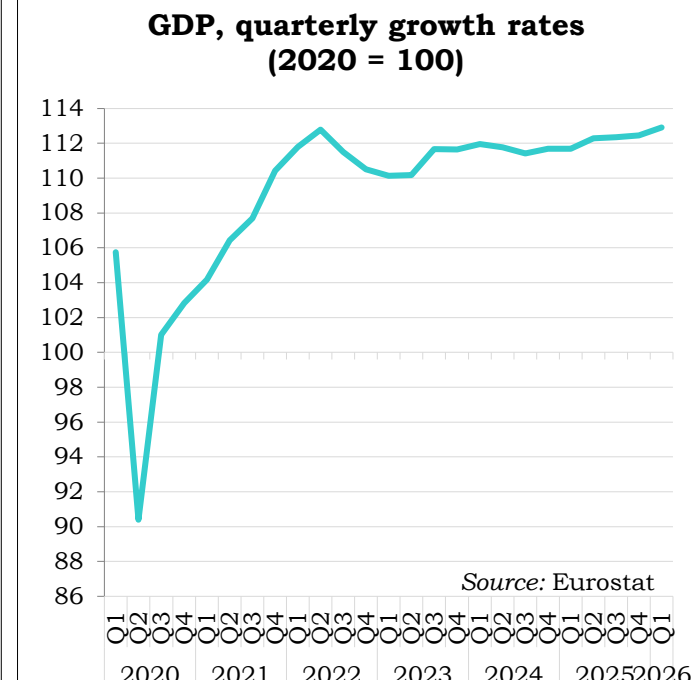
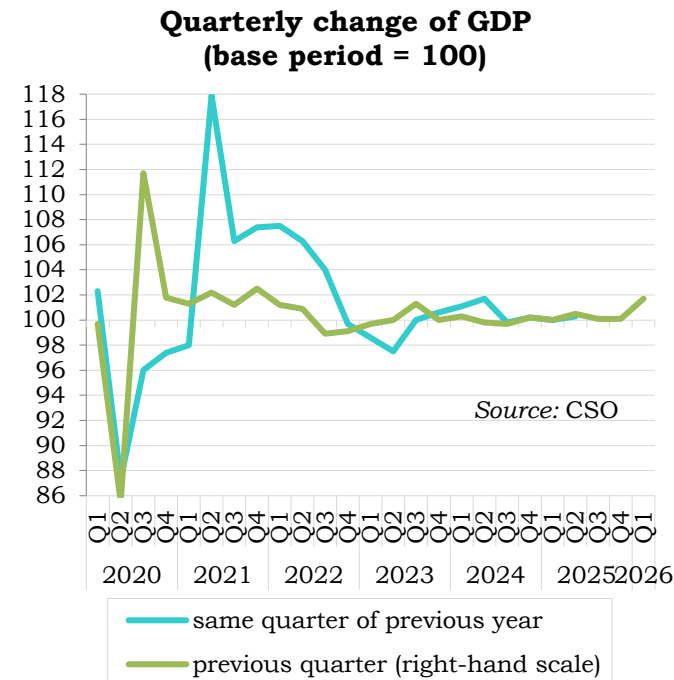


Hungary- Outlook After the Elections

134th AIECE General Meeting Spring 2026
Stockholm, 21-22nd of May 2026

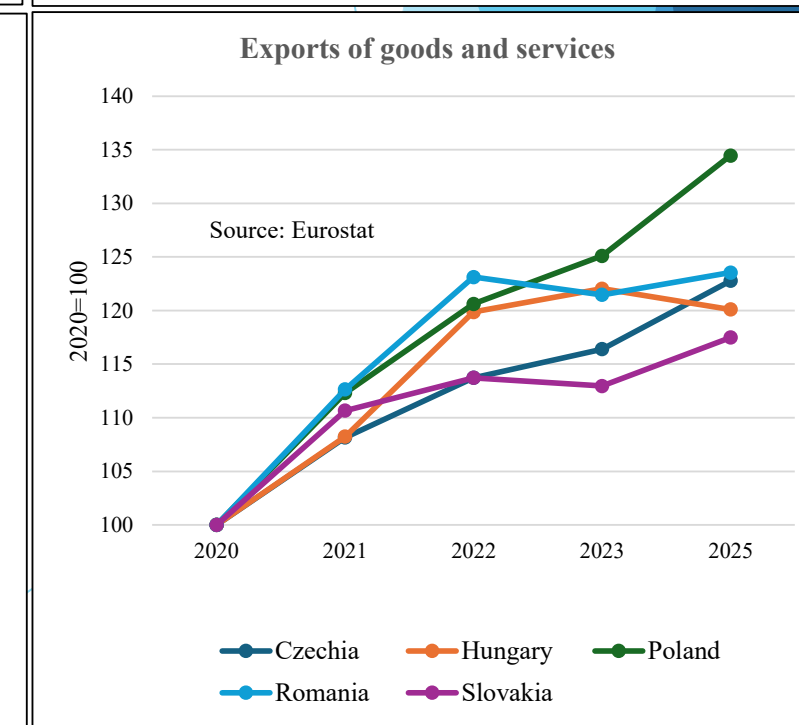
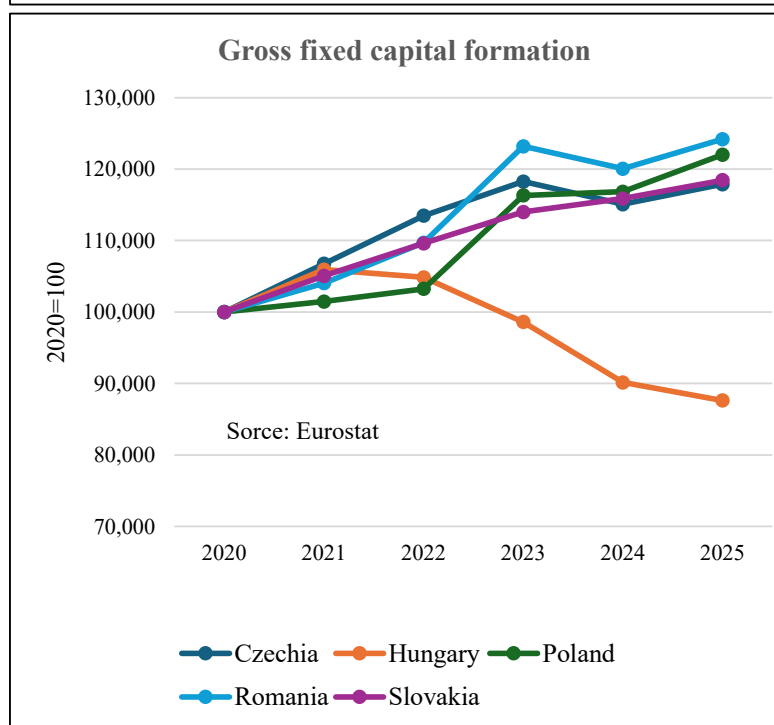
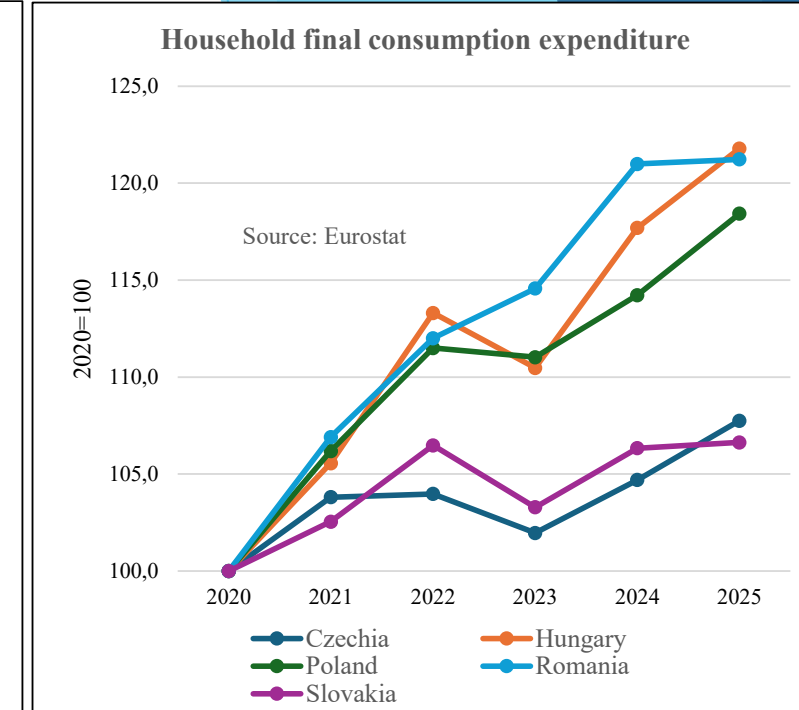
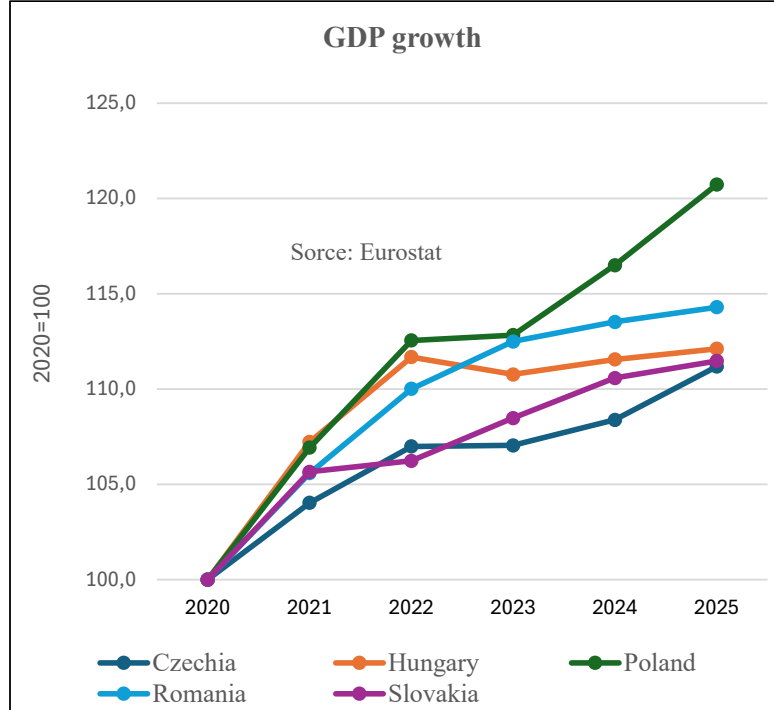
Economic situation in Hungary early 2026

- Economic stagnation in the last three years. 0,5% growth in 2025.
- Economic policy focused on consumption, whilst investments showed a steady decline.
- In the last quarter of 2025, the volume of investments was about 20% lower than the average of 2021.



Economic trends in Hungary in international comparison

- Compared with other East-European countries the development of investments in Hungary shows quite another pattern.
- Not only the lack of Cohesion and RRF funds, but domestic trends and lack of competitiveness, diminishing business confidence are also responsible for it.
- In Hungary domestic demand is the main source of growth, in the first line dynamic household consumption.
- Recently net exports are hindering growth.
- Sluggish global growth and the stagnation of the German economy, problems of the energy sector are also hindering growth.



Outlook for 2026 - Chances and challenges

- The first months of this year not too promising: the output of industry continued to drop.
- After a recovery in 2025 construction industry showed a decline in the first two months of the year.
- Exports remained sluggish, the trade surplus is diminishing.
- Retail trade grew moderately.
- Under these conditions it was a surprise that in the first quarter the Hungarian GDP grew by 1.7% YoY and by 0.8% month over month. This was due to a growth in services. But it is a question whether this is a temporary upswing or a durable trend.
- Transfers before election contributed to the more positive picture in the first quarter, but their positive impulses may erode soon.
- The new government has to give some impetus to the economy on the one hand and consolidate public finances on the other.
- An access to the blocked Cohesion and RRF funds could help, however their impacts would be felt only next year.
- Expectations of enterprises improved after the election: according to the enterprise survey of the DIUHK especially SMEs are more optimistic, and all firms hope for better relations with the EU, they are more optimistic concerning the business environment. Main risks remained: energy prices, demand, labour costs and a shortage of skilled labour.

Forecast for 2026: 2% GDP growth

- Kopint-Tárki's forecast is 2% GDP growth, which is quite optimistic; other institutes (NBH, WIIW) are less optimistic.

There are **downward risks**:

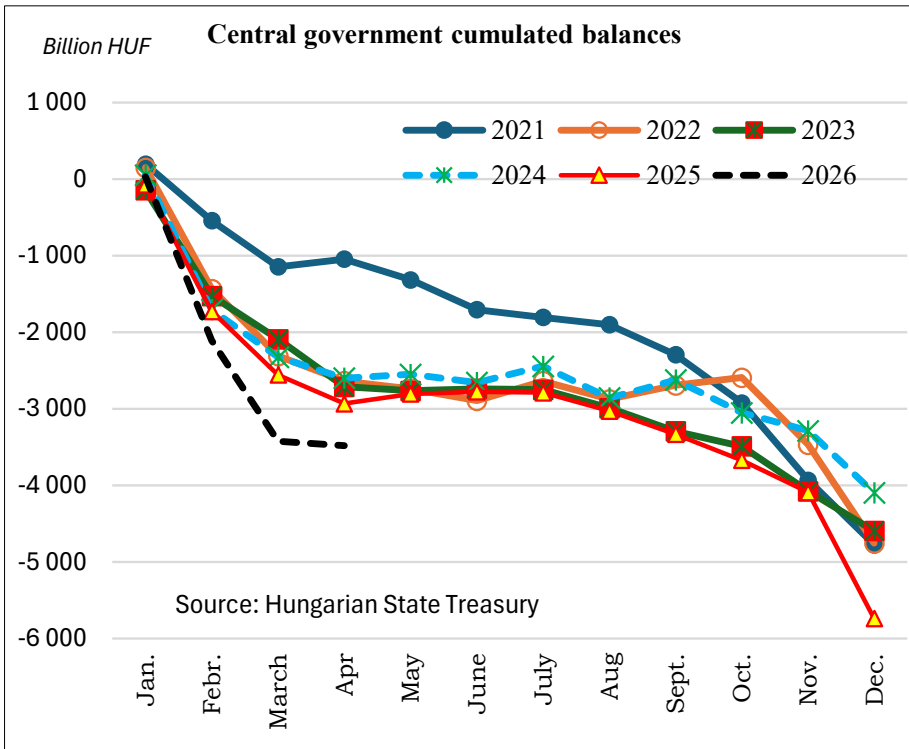
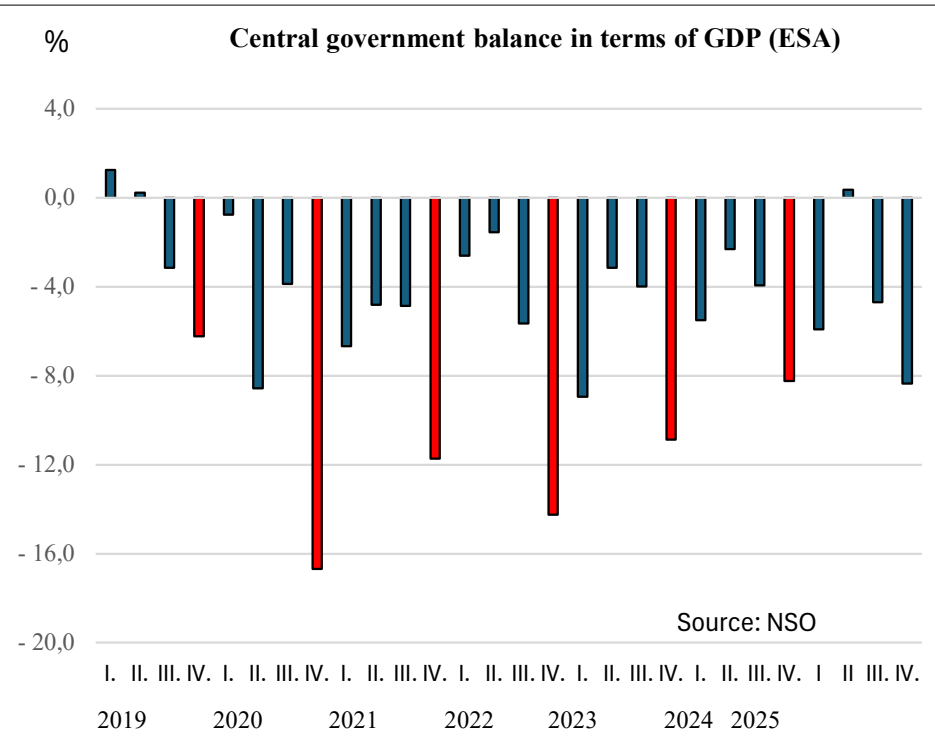
- The **Iran conflict and the energy crisis**, the rise of oil and gas prices and increased uncertainties cause a substantial risk for this forecast and in worst case it could lead to a shrink of GDP of 0.5 percentage points as compared to the base scenario.
- The **high public deficit** will limit the room for manoeuvre, and may force restrictive measures and a restructuring of public expenditures.
- **External environment.**

There are **upward risks**:

- There are great expectations against the new government: there is a hope that investment activities will recover.
- The **renewed access to Cohesion funds** would improve the confidence of investors and improve the market reputation of Hungary.
- This would encourage the **confidence of private investors**, so not only public but also private investments would grow.
- Market players hope for a **more stable and reliable economic policy**.
- The promise of **joining the Euro Area** on behalf of Hungary led to an appreciation of the Forint. A too strong Forint may cause a problem for exporters.
- The new prime minister introduced **ambitious reform plans** (education, healthcare system), support of SMEs, startups, a more just tax-system, a better pension system, a more efficient energy consumption, a stable energy supply and a decoupling of Russian resources; increased R&D support, a more balanced budget; joining the Euro Area, improved legal security, etc.

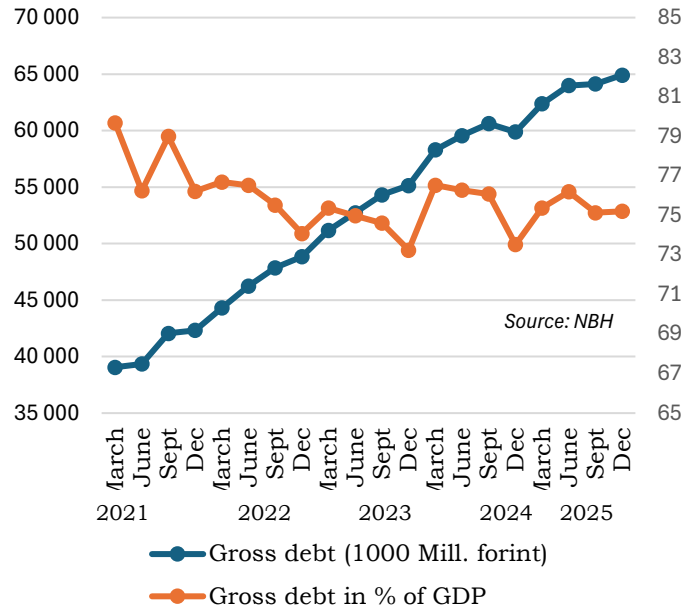
Public finances in Hungary could pose an obstacle for the plans of the new government

- Central government cumulated balance were pretty poor in the first 4 months of the year
- The impacts of expanded expenditures related to the election can be observed.
- The deficit reached 3840 billion Ft in January-April this year, practically 93% of the original budget plan (4.4% of the GDP), and almost 70% of the raised new deficit plan (5% of the GDP).
- The cumulated deficit in the first 4 months was never so high in the last years.
- The new government reckons with a deficit for this year of 6.8% of GDP.

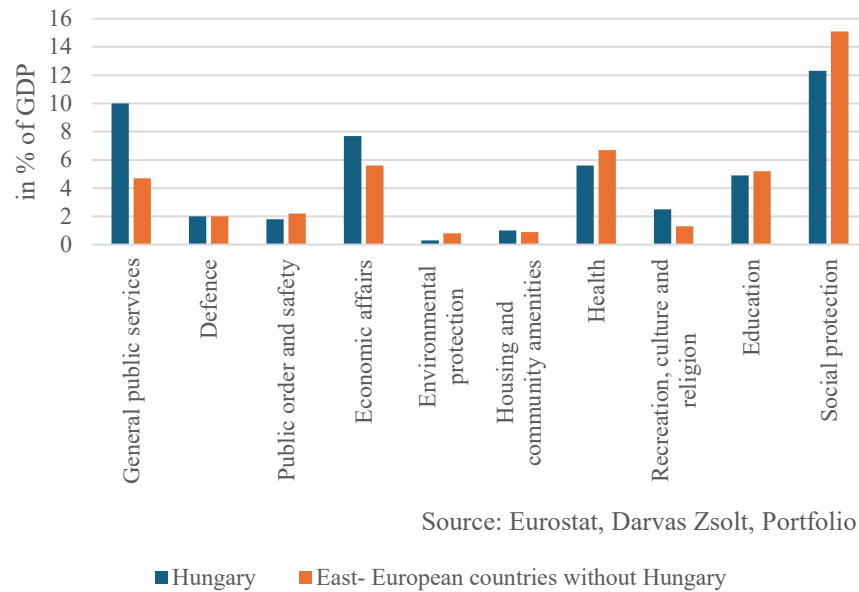


Restructuring of public expenditures will be needed

Gross debt in 1000 Mill. of HUF, and in % of GDP



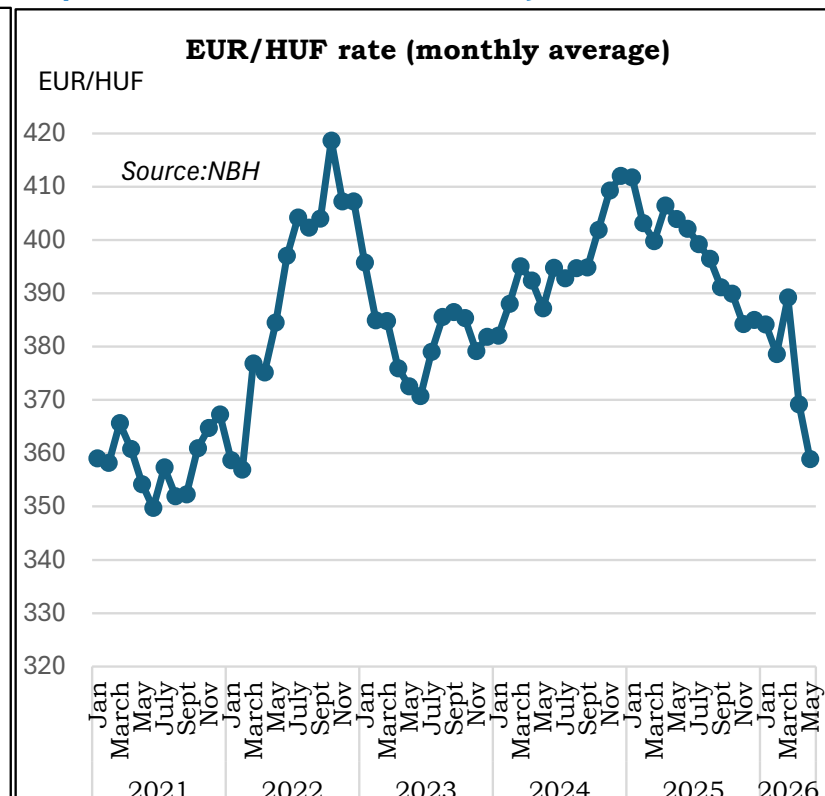
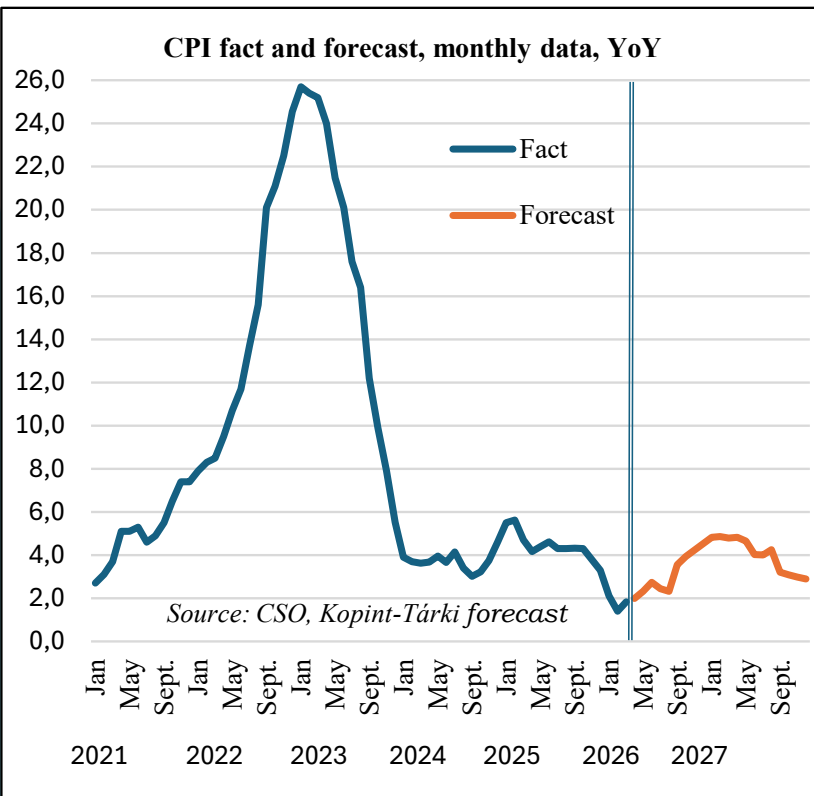
General government expenditure by function (2024)



- In our forecast we reckon with a deficit of 6% of GDP for this year, and a debt ratio of 75.5%.
- A problem is the very high interest service burden: 5% of the GDP.
- Expenditures spent on the functioning of government bodies are higher than in other EU countries.
- Whilst expenditures on health, education and social protection is lower than in other EU countries.

Inflation, appreciating Hungarian currency

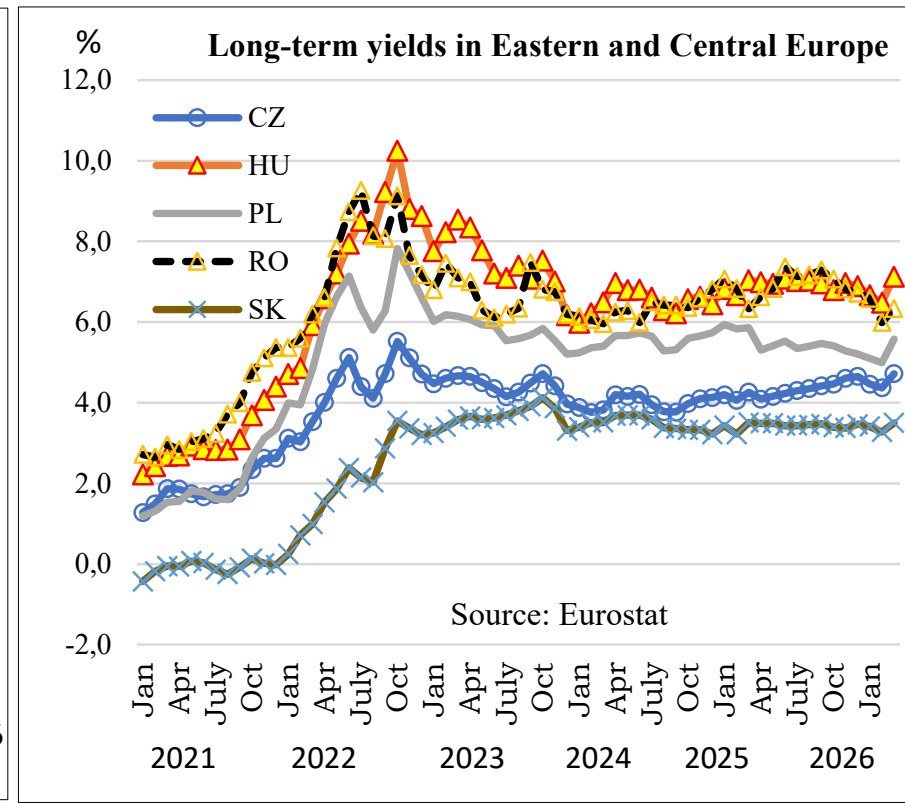
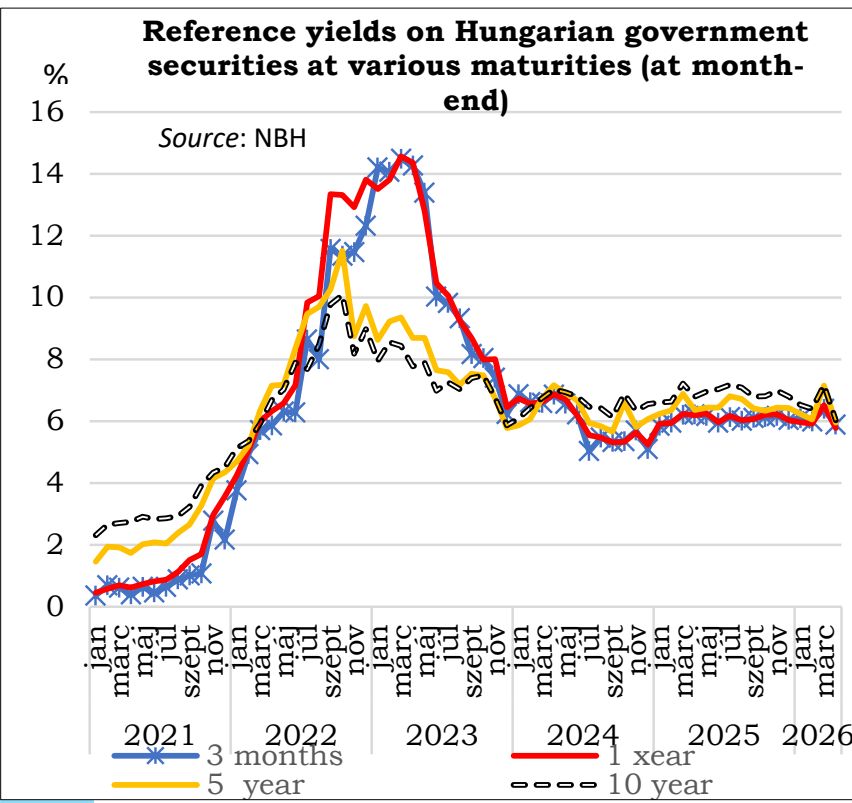
- The inflation rate in the first quarter was pretty low: February 1.4%, March 1.8%, April 2.1%.
- The trend is hard to calculate, as we do not know what administrative measures will be withdrawn.
- If price caps on energy, fuels will be maintained for some time than an inflation rate of 3 to 3.5 % is possible.
- According to the NBH due to the secondary effects of soaring energy prices, the 5 percent threshold may be exceeded again in the second half of the year.



- The forint exchange rate reacted to the election results with a significant strengthening: the exchange rate appreciated from more than 400 Huf as last June to around 357-360 forints/euro by mid May.
- This trend keeps on.
- The perspective of joining the EA fuels appreciation.

Declining yields

- The decline in government bond yields – which have fallen below 6 percent for 10-year bonds, a level not seen since early 2022 – also points to growing confidence on behalf of investor.
- This could allow a renewed interest rate cut by the National Bank of Hungary in the coming months, which began in February and stalled in March. However, the NBH will remain cautious.
- Of course, should the conflict in Iran escalate, we would have to change course.



Key problems to be handled

- The catch-up model, which was based on cheap labor, strong FDI inflows, and German industrial demand, is gradually running out of steam. This is not only a problem for Hungary but for other East-European countries as well.
- **Competitiveness** of industry has to be improved.
- **Inflation might become a key factor**, depending on energy price development. Due to geopolitical uncertainty, external inflation pressures may prove more persistent than previously assumed. Energy costs of households are still capped, if there is a change here, this would fuel inflation.
- **Inflation expectations** of households are more optimistic, enterprises are more cautious.
- **Monetary easing on behalf of the NBH would be important** as high base rates keep the interest burden for the state budget high.
- The **budget deficit** remains high and could exceed 6 percent even in 2026, while public debt is stabilizing at around 75 percent of GDP, which means limited fiscal maneuvering room. In order to fulfil election promises a substantial restructuring of budget expenditures is needed.
- In 2026 GDP growth will be driven mainly by temporary factors – such as election spending and a few major investments – while **the impact of actual reforms are not expected to materialize until around 2027-2028**, when growth could accelerate to over 2 percent, assuming that the international environment improves.

Thank you for your attention!